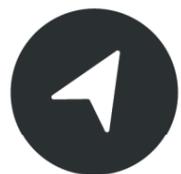


**Chwarae
Teg** 

**THE ECONOMIC
VALUE OF
GENDER EQUALITY
IN WALES**



DECEMBER 2018



www.chwaraeteg.com



02920 462 745



post@chwaraeteg.com

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AUTHORSHIP AND ACKNOWLEDGEMENTS

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London, December 2018

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EXECUTIVE SUMMARY

Wales has considerable potential to boost its economy by narrowing the gap in labour market outcomes between men and women. Although the female employment rate in Wales is at a record high of 70.6%, it remains more than eight percentage points below the figure for working age men. Nearly a quarter of working age Welsh women who are outside of the labour force state that they would in fact like a job. This points to a sizeable pool of working age women who could potentially expand Wales' productive capacity if suitable opportunities are created in the labour market and the necessary training and policy frameworks are in place.

Another rich source of economic growth could come from an increase in the hours worked by women already in the labour force. Currently, the average female worker works nine hours per week less than the average male worker – equating to more than a full working day each week. Due to a combination of lower average working hours and the industries that women participate in, we estimate that the average female worker in Wales generated £33,175 in output in 2016. This compares with an estimated £50,710 for male workers. Thus, promoting female participation in high productivity sectors where they are currently underrepresented – such as IT and manufacturing – has the potential to raise Wales' productivity and in turn its rate of economic growth.

This study examines how increasing female participation in the labour force could boost Wales' productive capacity, by considering four scenarios, which assume varying degrees of convergence in male and female employment rates, hours worked, and productivity. The forecast GVA for each scenario is compared with Cebr's baseline forecast for GVA in Wales over the next ten years, in order to quantify the boost that could be delivered by the narrowing of gender imbalances in the labour market.

1. FULL GENDER EQUALITY

Here we assume full convergence of employment rates, hours worked, and average productivity by 2028. We estimate that the realisation of this scenario could boost Wales' GVA by £13.6 billion in 2028. £9.2 billion of this would come from the increase in average hours worked by female workers, and £4.4 billion would come via the rise in the female employment rate and participation in high productivity sectors.

2. BEST IN THE UK GENDER EQUALITY

This assumes that the female employment rate and the average hours worked by female workers in Wales reach the levels currently observed in the best performing regions of the UK by 2028. Under this scenario, Wales' GVA would reach an estimated £75.6 billion by 2028. This is more than 6% higher than the £71.2 billion forecasted in the baseline scenario.

3. FULL CONVERGENCE OF EMPLOYMENT RATE

Here we assume that the female employment rate reaches the male employment rate by 2028. This would push Wales' GVA to £74.1 billion by 2028 – £2.9 billion (or 4.1%) higher than in our baseline forecast.

4. BEST IN THE UK CONVERGENCE OF EMPLOYMENT RATE

The final scenario assumes that by 2028, the female employment rate reaches the highest level currently observed in the UK (74.9% in the South West of England), while average hours worked and sectors participated in remain as they stand today. This would still boost Wales' GVA in 2028 by a far from insignificant £1.2 billion.

TABLE 1 | SUMMARY OF GVA FORECASTS ASSOCIATED WITH GENDER EQUALITY SCENARIOS

Source: Office for National Statistics, Cebr analysis

SCENARIO	BOOST TO WALES' ANNUAL GVA BUY 2028	% CHANGE COMPARED TO BASELINE GROWTH FORECAST
Full gender equality	£13.6 billion	+ 19%
Best in the UK gender equality	£4.4 billion	+ 6%
Full convergence of employment rate	£2.9 billion	+ 4%
Best in the UK convergence of employment rate	£1.2 billion	+ 2%

The research also looks at the degree to which women's contribution to the Welsh economy is underestimated as a result of the exclusion of the provision of unpaid care services from official measures of GVA. In recent years, it is estimated that the value of unpaid adult care has amounted to around 3% of the UK's total economic output. We also

find that the provision of unpaid adult care has shifted further towards women, while women also remain the primary child carers within their households. This highlights that a significant portion of the services that women provide are not currently included in official measures of output, meaning that their economic contribution is being understated.

1.0 INTRODUCTION

A key driver of the UK's economic growth in recent years has been the persistent tightening of the labour market, with the number of people in employment rising by over half a million in the last two years. The growth rate of labour productivity continues to languish below pre-2008 levels, meaning that expanding the labour force will remain key in boosting the UK's productive capacity in the coming years. However, with male employment rates close to or above 80% across much of the UK, there is fairly limited scope for further increases here.

Despite significant progress in recent times, considerable disparities remain between men and women in terms of the share in employment, the average number of hours worked, and the types of industries occupied. The gender gap in labour market activity represents a major opportunity to accelerate economic growth by taking measures to promote and expand women's participation in the workforce. This research examines how greater levels of gender equality could provide a boost to the Welsh economy over the next decade. Four scenarios are considered, which assume varying degrees of convergence in labour market outcomes for men and women in Wales. For each scenario, GVA is forecast up until 2028, and then compared against Cebr's baseline economic forecast for Wales which assumes an average annual

growth rate of around 1.1% between 2018 and 2028.

The analyses described above focus on how the reduction of labour market imbalances could boost women's contribution to the Welsh economy. The final part of the report goes on to examine the degree to which women's current contribution has been underestimated by shortcomings in conventional measures of economic output. While the sluggish GDP growth that the UK has experienced in recent years reflects structural issues relating to the underlying productive capacity of the economy, there is a mounting body of evidence which suggests that GDP in its current form understates the UK's economic output. One challenge that emerges in measuring the output of the rapidly advancing tech sector is distinguishing between price increases – which should be factored out of GDP – and quality increases, which should be included. Furthermore, statisticians have struggled to capture the value of free digital services that are becoming more and more widespread. Another component of unmeasured economic output is the unpaid care work that is carried out within many households. In this report we explore this matter further, drawing together existing economic literature and theories on the unmeasured value that unpaid care work delivers to the Welsh economy.

2.0 GENDER IMBALANCES IN THE WELSH LABOUR MARKET

2.1 EMPLOYMENT RATES

The difference in employment rates between men and women in Wales fell to as low as four percentage points in 2015. However since then, the employment rate among men has risen at a faster rate than for women, leading to a divergence of employment rates

between the genders. In the three months to July 2018, the employment rates for both men and women were at record highs of 78.9% and 70.6% respectively.

FIGURE 1 | MALE AND FEMALE EMPLOYMENT RATE IN WALES, 2008 - PRESENT

Source: Office for National Statistics



The South West of England is the region with the highest employment rates for men (83.6%), women (74.9%) and overall (79.2%). Indeed, the female

employment rate in this region is higher than the overall employment rates for eight of the UK's 13 regions and nations – including Wales.

2.2 AVERAGE HOURS WORKED

According to the latest data from the Office for National Statistics' Labour Force Survey, among those currently employed, female workers in Wales work an average of 26.6 hours per week. The corresponding figure for male workers is 35.9 hours. This difference equates to more than a full working day each week. While the employment rate among Welsh women has steadily climbed over the past several years, the average number of hours worked has hovered stubbornly around 26 hours per week. With that being said, the gap in hours worked between men and

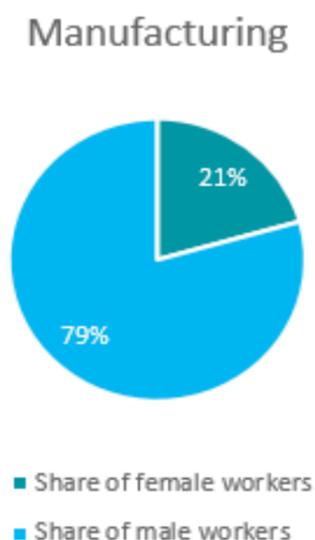
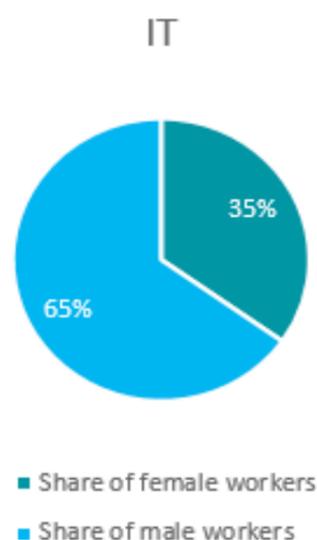
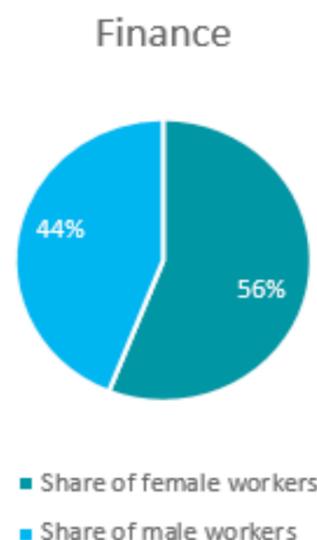
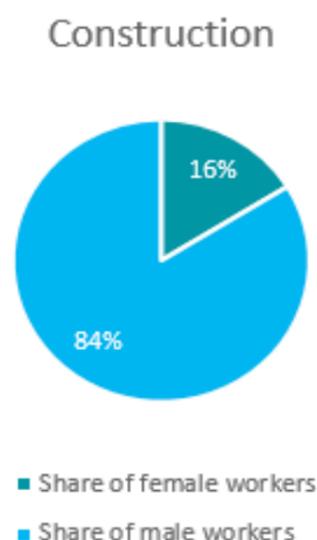
women has declined over the last 10 years, driven by a marginal decline in the average number of hour worked by Welsh men.

Looking at the UK more broadly, female workers work on average 27.1 hours per week. Women work the longest hours in London, where the average weekly hours worked is 29.2. Across the UK, male employees work on average 36.4 hours per week. Finally, among employees of all genders, the average number of hours worked in the UK is 32 hours per week.

2.3 PARTICIPATION IN HIGH PRODUCTIVITY SECTORS

Women in Wales – and in the UK more broadly – are underrepresented in many of the most well-paid and high productivity sectors. For instance, in Wales’ manufacturing sector – which has an average output per job of nearly £67,000 per year – just one in five workers are female. In the Information & Communication sector – another highly productive sector of the Welsh economy – the share of female workers is just over a third. While on average, Welsh female workers do find themselves in less productive

industries than their male counterparts, there are some notable exceptions to this trend. For instance, a majority (56%) of employees in Wales’ lucrative finance sector are women. Based on the sectors in which Welsh women are employed and the average hours worked by female employees, female workers generate an average of £33,175 per year. Applying the same methodology, the average male worker in Wales generates £50,710 per year.



3.0 ERADICATING GENDER IMBALANCES COULD BOOST WELSH ECONOMY BY £13.6 BILLION BY 2028

The differences in labour market engagement discussed in Section 2 between male and female workers mean that there is a considerable opportunity for Wales to expand its productive capacity in the coming years. The following section approximates the boost to Wales’ gross value added (GVA) associated with four scenarios, each of which assumes a differing degree of convergence in labour market

outcomes. It is important to note that the GVA figures presented below reflect the supply-side capacity increase that Wales could see. Particularly for the scenarios involving a dramatic expansion of the labour force driven by increased female participation, the economy would take time to adjust to the rise in supply-side capacity before it could fully realise its new potential.

3.1 FULL GENDER EQUALITY

In our ‘full gender equality’ scenario, we assume full convergence of the employment rates of working age men and women in Wales. Our baseline forecasts for employment and population growth in Wales over the next 10 years indicate that the overall male employment rate will rise to 79.5% by 2028. Therefore, in the ‘full gender equality scenario’, we assume that the female employment rate also reaches 79.5% by 2028 – representing full convergence with the male employment rate.

represented in higher productivity sectors, we assume that the sectoral breakdown of employment among new female entrants to the workforce matches that of the existing male workforce. Broadly speaking, there will be two major sources of new female workers in the coming years: young women reaching working age and joining the workforce, and women who are currently of working age but out of the labour force entering employment.

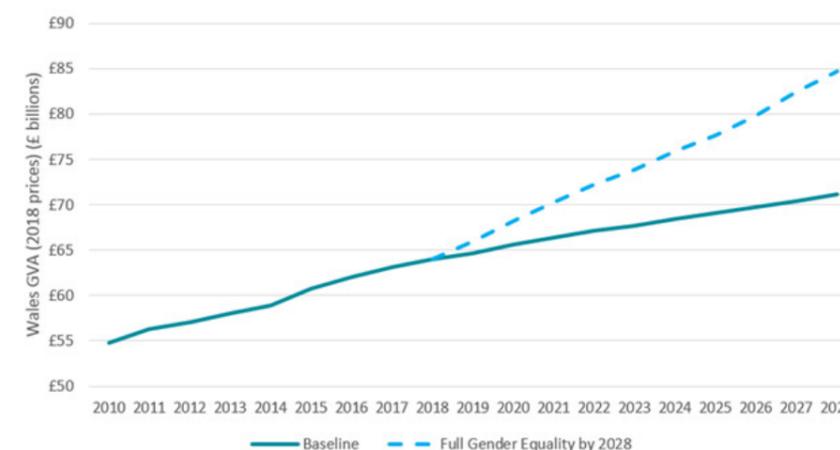
As noted in Section 2, there are also significant differences in both the average hours worked by female workers and the productivity of the sectors in which they typically operate. For this scenario, we assume that the average hours worked by women currently in the workforce converges steadily to 35.9 hours per week by 2028 – the current average for male workers in Wales.

Based on the above assumptions, we forecast that Wales’ GVA would be £84.7 billion in 2028. This compares to a forecast GVA of £71.2 billion in the baseline scenario where gender imbalances in the workforce remain largely as they are today. Of the £13.6 billion boost to the Welsh economy, £9.2 billion would come via the additional hours worked by women already in the labour force, and £4.4 billion would come from the higher female employment rate and the shift towards higher productivity sectors among new female entrants to the workforce.

To capture a scenario where women are increasingly

FIGURE 2 | FORECAST GVA UNDER ‘FULL GENDER EQUALITY’ SCENARIO ASSUMPTIONS

Source: Office for National Statistics, Cebr analysis



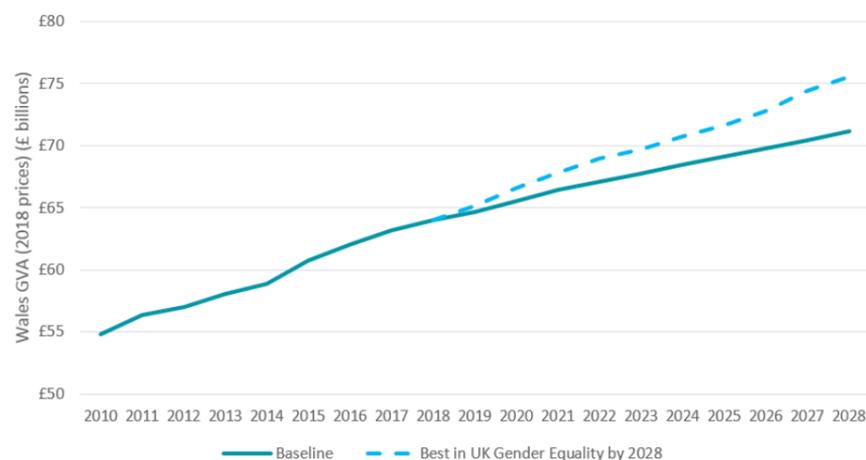
3.2 BEST IN THE UK GENDER EQUALITY

While the 'full gender equality' scenario described above may be attainable in the long-run, based on current trends this is unlikely to be realised by 2028 without major political, economic and societal shifts. A more feasible target for Wales would therefore be to achieve the levels of gender equality that match the best performing parts of the UK. This equates to a female employment rate of 74.9% (as observed in the South West of England) and an average of 29.2 hours worked per week by female employees (as observed in London). For productivity, we make the same assumptions as in the 'full gender equality' scenario,

namely that new female entrants to the workforce enter the same mix of jobs that males currently occupy. In this 'Best in the UK gender equality' scenario, Wales' GVA would reach an estimated £75.6 billion by 2028. This is more than 6% higher than the £71.2 billion forecasted in the baseline scenario. £1.9 billion of the additional output would arrive via the higher female employment rate and participation in high productivity sectors, while £2.6 billion would come from the increase in the average hours worked among existing female workers in Wales.

FIGURE 3 | FORECAST GVA UNDER 'BEST IN THE UK GENDER EQUALITY' SCENARIO ASSUMPTIONS

Source: Office for National Statistics, Cebr analysis



3.3 FULL CONVERGENCE OF EMPLOYMENT RATE

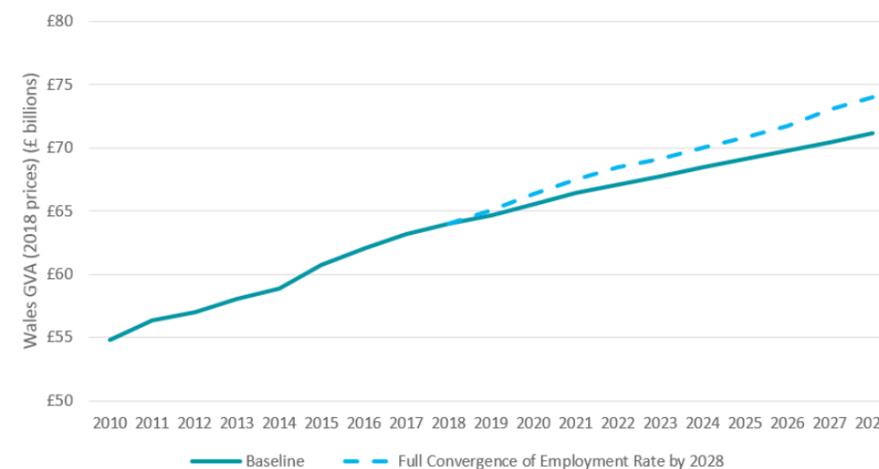
Although women's low representation in some high productivity sectors is attributable to economic and social barriers, it also reflects the differing choices that men and women make when deciding which fields to enter. Meanwhile, unlike the female employment rate in Wales, the average number of hours worked by female Welsh workers has not shown a consistent upwards trend. To take into account these observations,

this scenario looks at the case in which the female employment rate reaches the male employment rate by 2028, but the average hours worked and sectors participated in remain constant.

In this scenario, we forecast the Wales' GVA would reach £74.1 billion by 2028 – £2.9 billion (or 4.1%) higher than in our baseline forecast.

FIGURE 4 | FORECAST GVA UNDER 'FULL CONVERGENCE OF EMPLOYMENT RATE' SCENARIO ASSUMPTIONS

Source: Office for National Statistics, Cebr analysis



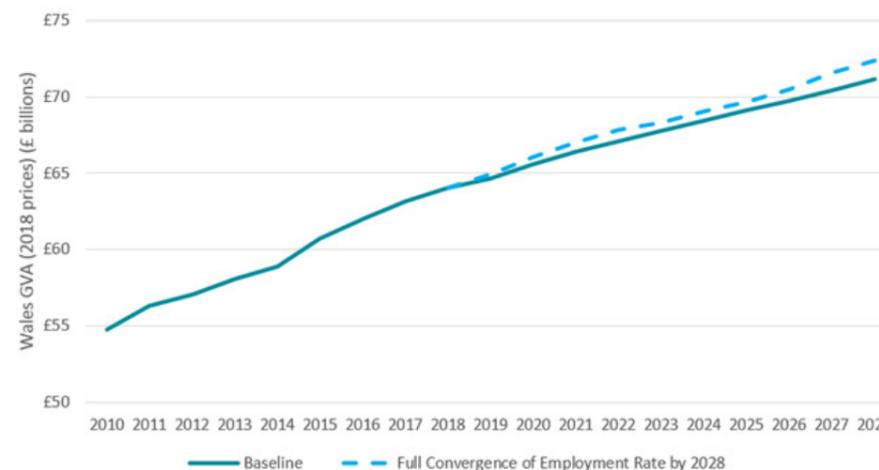
3.4 BEST IN THE UK CONVERGENCE OF EMPLOYMENT RATE

The final scenario adopts more conservative assumptions on progress towards gender equality in the workplace. Here, we assumed that by 2028, the female employment rate reaches the highest level currently observed in the UK (74.9% in the South West

of England), while the average hours worked and sectors participated in remain as they stand today. This scenario would still boost Wales' GVA in 2028 by a far from insignificant £1.2 billion (or 1.7%).

FIGURE 5 | FORECAST GVA UNDER 'BEST IN THE UK CONVERGENCE OF EMPLOYMENT RATE' SCENARIO ASSUMPTIONS

Source: Office for National Statistics, Cebr analysis



4.0 ECONOMIC CONTRIBUTION OF UNPAID CARE

A country's gross domestic product (GDP) is defined as the market value of the final goods and services produced by the country in a given year. This is an imperfect measure of a country's output, as it excludes many non-market transactions that still deliver value to those involved, such as unpaid care. Government

statistical agencies around the world are increasingly looking into ways of alleviating some of these shortcomings. The following section of the report explores the scope of this problem and examines some potential solutions.

4.1 ECONOMIC VALUE OF UNPAID ADULT CARE

Unpaid care is differentiated from care provided by the state, or organisations in the private sector. It is usually undertaken by family or close friends within the home. It is important to measure unpaid care work because of the value it directly provides to households and their living standards. By carrying out this kind of work themselves, households can often increase their disposable income, facilitating consumption elsewhere in the economy. Moreover, understanding who provides this care is paramount in establishing a more accurate picture of the contribution that various groups make to the economy.

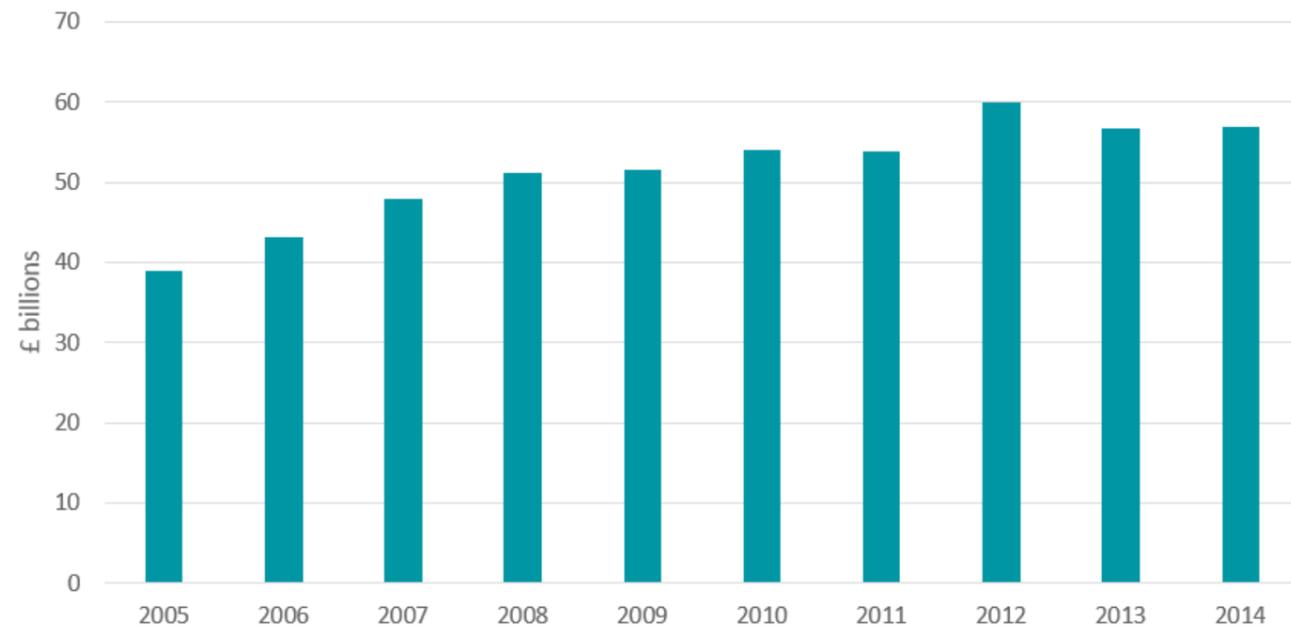
By taking the average wage rates of carers and nursing assistants – whose job is the most comparable form of paid employment – and the amount of unpaid

care provided, the Office for National Statistics (ONS) has estimated the value of unpaid adult care in the UK. The number of adults receiving continuous, unpaid care, rose by 33% to 800,000 between 2005 and 2014. In comparison, the number receiving non-continuous care fell by 13% to 1.3 million. The total number of hours of care provided also grew, rising by approximately 25% over the same time period. This was most likely driven by the increase in continuous care required across households.

Based on the above, the ONS estimates that the gross value added (GVA) of unpaid adult care rose from £39 billion to £57 billion between 2005 and 2014 – a 46% increase.

FIGURE 6 | GROSS VALUE ADDED (£ BILLIONS) OF UNPAID ADULT CARE, 2005 TO 2014

Source: Office for National Statistics

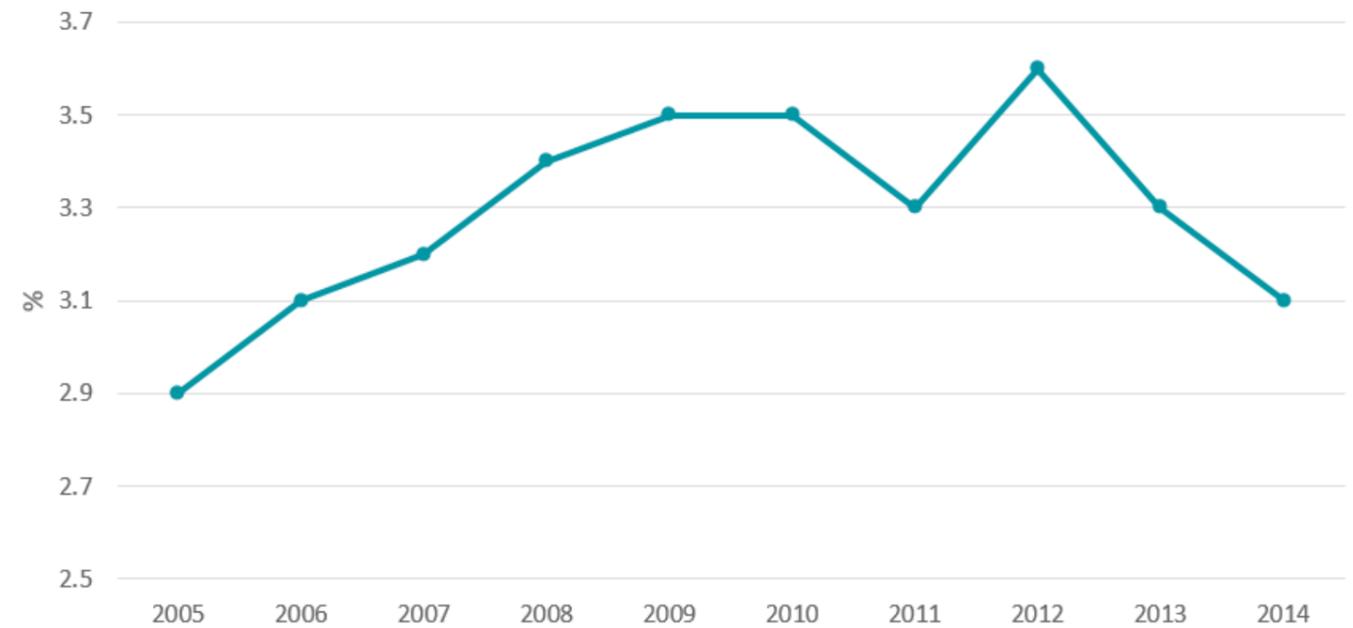


What is most interesting is not the nominal values spent on unpaid adult care, but rather how it compares to the total size of the economy. Between 2005 and 2014, the value of adult care fluctuates between 2.9% and 3.6% of the UK's total GDP, with an average of 3.3% over the entire time period.

Although equivalent estimates of the value of unpaid child care have not yet been produced, it is clear from the figures on unpaid adult care that the exclusion of these services has a meaningful impact on the measurement of the UK's economic output.

FIGURE 7 | GVA FROM UNPAID ADULT CARE RELATIVE TO TOTAL GDP (%), 2005 TO 2014

Source: Office for National Statistics, Cebr analysis



4.2 GENDER BREAKDOWN OF UNPAID CARE SERVICES

Unpaid care can be subdivided into two categories: unpaid care provided to children in the home and unpaid care provided to adults.

UNPAID CHILDCARE

According to the ONS, there are two types of activities that make up unpaid childcare. Primary childcare refers to activities such as feeding, waking, supervising and nursing a child. Activities such as reading, playing and assistance with school work are referred to as

developmental care.

The ONS' analysis of unpaid childcare breaks down its provision according to the gender of the caregiver, from 2000 to 2015. Figures 3 and 4 show the amount of unpaid care provided by mothers and fathers, broken down by the age of the youngest child they look after.

FIGURE 8 | TOTAL CARE PROVIDED BY MEN IN MINUTES PER DAY FROM 2000 TO 2015, BY AGE OF YOUNGEST CHILD

Source: Office for National Statistics

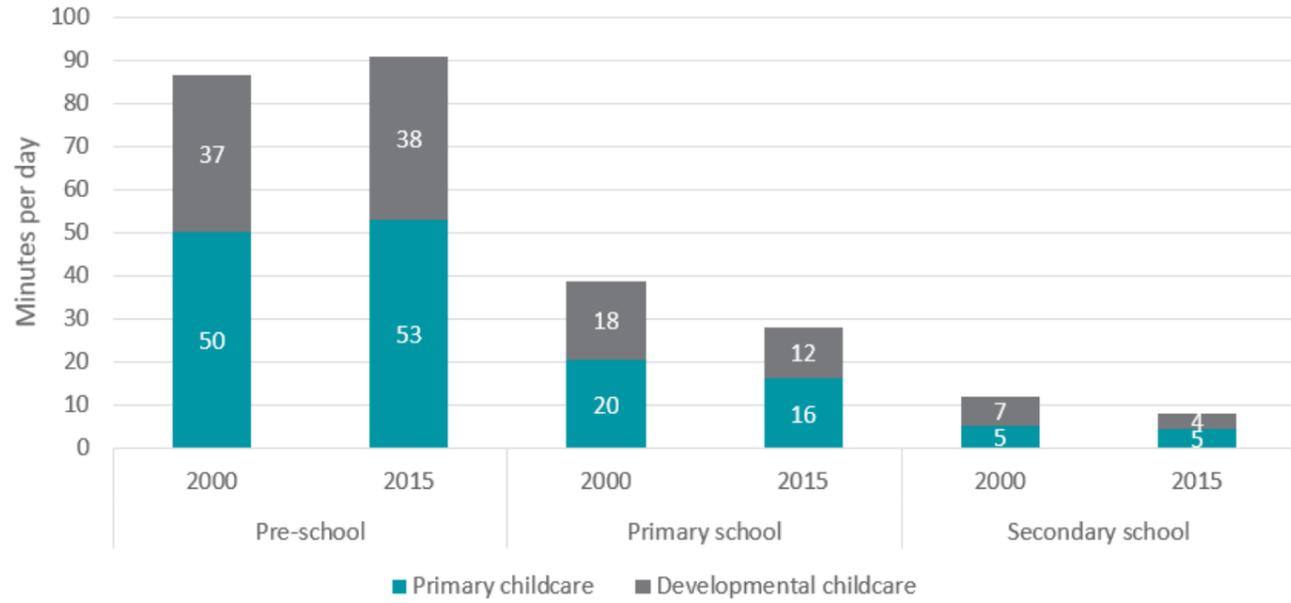
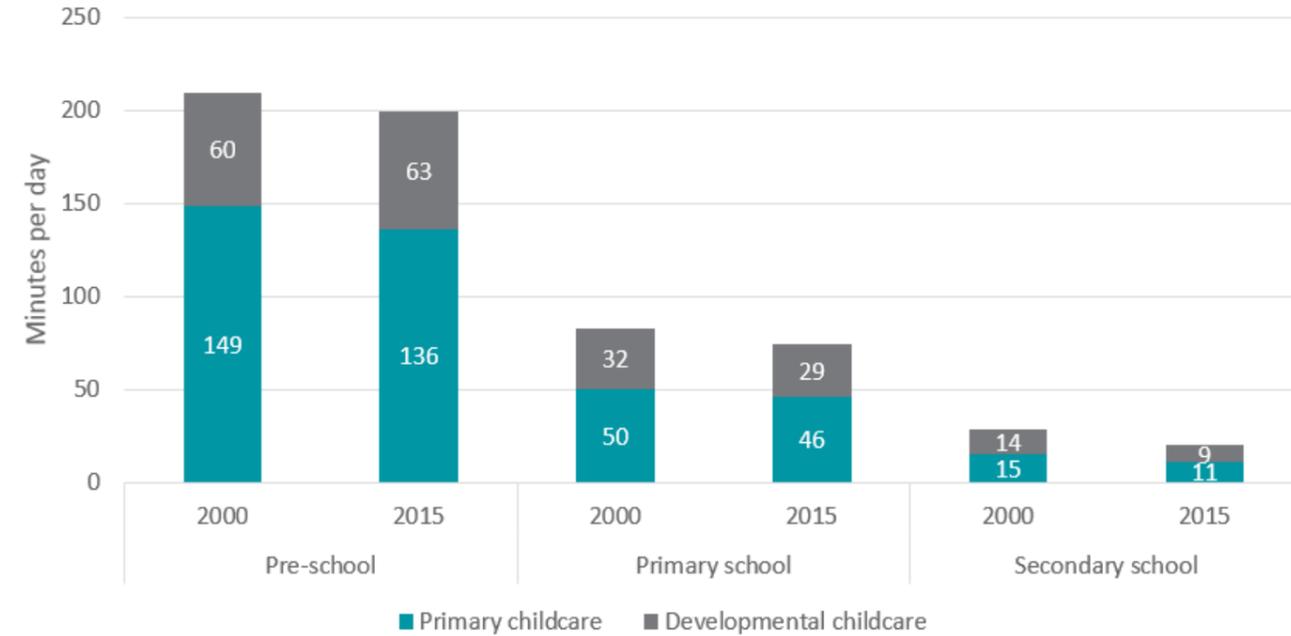


FIGURE 9 | TOTAL CARE PROVIDED BY WOMEN IN MINUTES PER DAY FROM 2000 TO 2015, BY AGE OF YOUNGEST CHILD

Source: Office for National Statistics

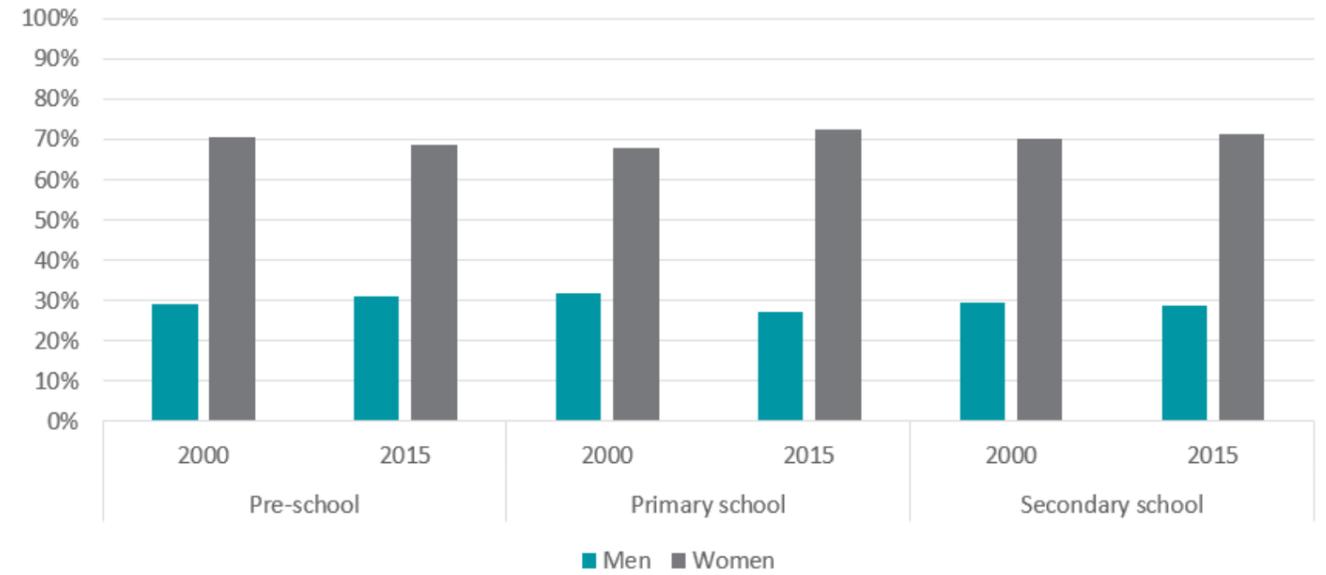


Between 2000 and 2015, the amount of primary care provided by women whose youngest child was of pre-school age, fell from an average of 149 minutes per day to 136 minutes per day, a decrease of approximately 9.6%. On the other hand, when considering developmental care from mothers in this category, this

rose from 60 minutes per day to 63 minutes per day. Among men whose youngest child was of pre-school age, the total childcare time rose by 4.6% between 2000 and 2015. However, when considering children of all ages, men's contribution to childcare decreased as a whole.

FIGURE 10 | PERCENTAGE OF CARE PROVIDED FROM 2000 TO 2015, BY AGE AND GENDER

Source: Office for National Statistics



Although there has been a general decline in childcare provided by both mothers and fathers, mothers have remained the primary child carers within their households. Between 2000 and 2015, among families whose youngest child needing care was of primary school age, women's share of care provided rose from 68% to 73%. Similarly, when the youngest child was of secondary school age, women's share rose marginally from 70% to 71%. However, among families whose youngest child was of pre-school age, women's share of total childcare provided fell from 71% to 69%.

UNPAID ADULT CARE

As life expectancies have increased, so has the demand for ongoing care for the elderly as well as other adults requiring support. While some of this burden will be shouldered by the NHS and other public services, many activities involving caring for elderly or disabled individuals are carried out by extended family members or friends.

FIGURE 11 | AVERAGE DAILY MINUTES OF ADULT CARE PROVIDED BY THOSE OVER 8 YEARS OLD, BY AGE AND GENDER OF PROVIDER

Source: Office for National Statistics

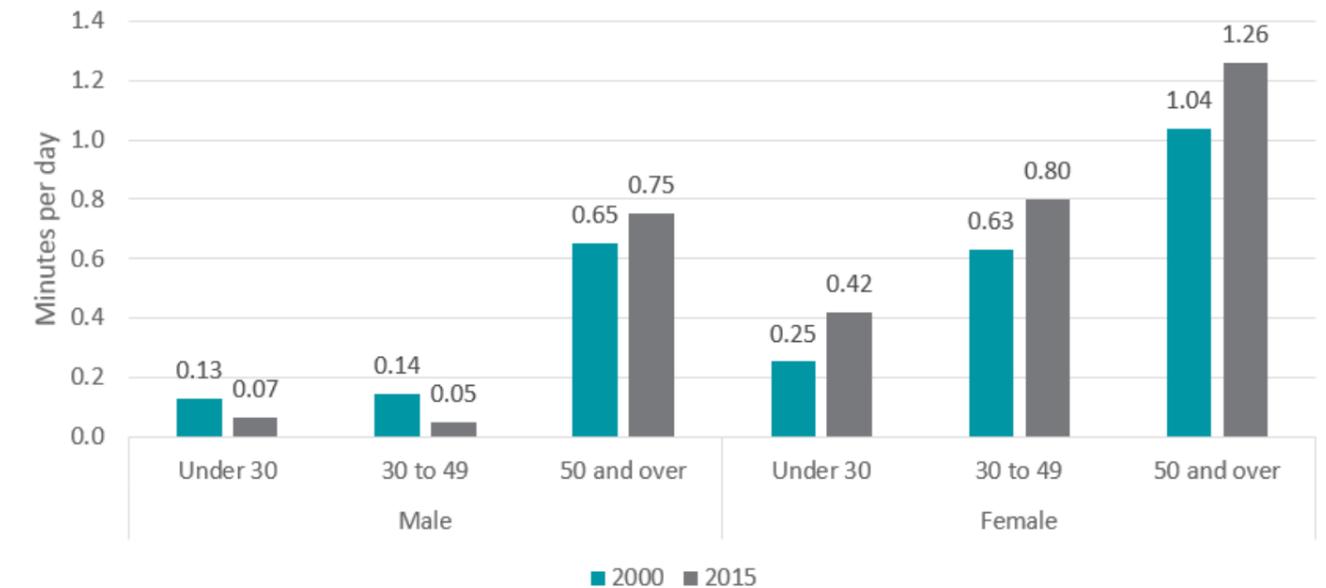


Figure 11 shows that across all age groups, women on average provide greater amounts of adult care than men. Between 2000 and 2015, women of all age groups saw a rise in the average daily amount of adult care provided: women under 30 years old saw a 67% increase, women aged 30 – 49 saw a 27% increase and women over 50 saw a 21% increase. This trend occurred alongside a fall in adult care provided by men under 30, as well as for those aged 30 to 49, amounting to a 49% and a 67% decrease respectively.

Overall, the provision of unpaid adult care shifted further towards women between 2000 and 2015. Among 30 to 49 year olds, men accounted for just

6% of the total adult care provided by this age group in 2015, down from 19% in 2000. This age group is significant, as it covers a large proportion of an adult's working years. The fact that the overwhelming majority of unpaid adult care falls onto women's shoulders during prime working years is a key factor contributing to the type of gender imbalances observed in the labour force surrounding average hours worked and employment rates. For older demographics, the contribution of men and women becomes somewhat more comparable, albeit still unequal. Among those aged over 50, men provided 37% of the unpaid adult care in the economy in 2015, while women provided 63%.

4.3 POTENTIAL SOLUTIONS TO THE GDP PROBLEM

The analysis above highlights one of the key drawbacks of GDP as a measure of a country's output, namely the exclusion of non-market services such as unpaid care that nevertheless add considerable value to the economy. In so far as GDP overlooks the value of unpaid care services, the contribution of women to the economy has been understated.

One solution to this issue comes via the type of analyses presented in Section 4.1, which aim to quantify the market value of the unpaid services provided in the economy. These estimates can then be viewed alongside GDP data to obtain a more comprehensive idea of the output being generated by a country.

A number of alternative measures have also been put forward to address some of GDP's shortcomings. For instance, the Genuine Progress Indicator (GPI) takes GDP figures and adjusts them to account for the various non-market services provided in the economy. In the case of the provision of unpaid care services, GPI would be adjusted upward to reflect the societal benefits arising from the consumption of these services. The GPI also takes into account environmental costs such as pollution, and social costs such as crime, which are not directly reflected in conventional GDP statistics. While alternative measures such as GPI are useful in providing some wider context for GDP figures, they do face limitations. For instance, many of the social factors that GPI measures are highly difficult to quantify in an objective manner.

5.0 CONCLUSION

Wales' labour market continues to exhibit considerable gender disparities. While female employment rates have been on an upward trajectory, they remain well below the male employment rate, which has risen at an even faster pace in recent years. Meanwhile, the average hours worked by women in Wales has hovered around 26 hours per week since records began in 2004 – well below the 36 hours worked by the average male worker each week. Steps towards lessening these gender imbalances have the potential to significantly expand Wales' productive capacity. Achieving full convergence of employment rates and hours worked could deliver a £13.6 billion boost to Wales' economy by 2028 – a nearly 20% increase. While such a scenario appears unlikely given current trends, more modest progress towards gender equality in the labour force also has the potential to deliver considerable benefits. If women in Wales were able to reach the levels of participation in the workforce currently seen in the UK's best

performing regions in this regard, Wales would see a rise in its productive capacity of £4.4 billion annually by 2028.

While this research has highlighted some sizeable differences in labour market engagement between men and women in Wales, we also draw attention to a major source of labour that is currently unaccounted for in official statistics – the provision of unpaid care services. When factoring in these activities, the gender imbalances described above become slightly less stark. With that being said, there remains considerable scope to increase women's contribution to the economy, through higher employment rates, hours worked and participation in high productivity sectors. While some of these disparities can be attributed to individual preferences, lowering the array of institutional, social and cultural barriers that many women still encounter offers the potential to unlock a major source of growth for the Welsh economy in the coming years.